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In the Supreme Court of the United States

OCTOBER TERM, 1967.

No. 1415

MAIER BREWING COMPANY, a corporation, et al.,

Petitioners,

vs.

FLEISCHMANN DISTILLING CORP., a corporation, et al.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

Brief for Respondents in Opposition

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Brief for Respondents in Opposition

The petition is largely a reprint of petitioners' brief below, as appellants, addressed to a kind of review different from that served by this Court's certiorari jurisdiction. It violates the Court's Rule 23(1); among numerous deficiencies it fails to state the question or questions presented for review.* Nevertheless we respond to it on its merits.

*Other deficiencies are failure to cite the report of the opinion below, to state the date of the judgment, to quote, fairly, the statute involved, or to be succinct.

OPINIONS BELOW

The opinion of the court below is reported in 390 F.2d 117 and appears as Appendix 3 to the petition. A prior phase of the case is reported in *Fleischmann Distilling Corp. v. Maier Brewing Company*, 314 F.2d 149, *cert. denied*, 374 U.S. 830 (1963). Another phase is reported in *Maier Brewing Company v. Fleischmann Distilling Corp.*, 359 F.2d 156, *aff'd, Fleischmann Distilling Corp. v. Maier Brewing Company*, 386 U.S. 714 (1967).

JURISDICTION

This Court has jurisdiction under 28 U.S.C. § 1254(1). The district court had jurisdiction under 28 U.S.C. § 1338(a) and 15 U.S.C. § 1121. The court below had jurisdiction under 28 U.S.C. § 1291. The judgment below was rendered February 21, 1968, and a rehearing was denied April 8, 1968.

QUESTION PRESENTED

The petition nowhere states what question or questions this Court is being asked to review. In order to find any question presented, one must distill it out of the 49 pages of the petition. It appears to be this:

> Concededly, the owner of a trademark on whisky may enjoin its use on beer as a gross and deliberate infringement. Is he precluded from an accounting of profits solely because beer is not whisky and therefore a sale of the infringer's beer has not diverted purchases away from the owner of the trademark?

STATUTE INVOLVED

Section 35 of the Lanhan (Trademark) Act, 15 U.S.C. § 1117 (Act of July 5, 1946, c. 540, Tit. VI, § 35) provides:

> When a violation of any right of the registrant of a mark registered in the Patent Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111

and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty.

STATEMENT

In *Fleischmann Distilling Corp. v. Maier Brewing Company*, 314 F.2d 149, the court below held that petitioners were guilty of infringement of the trademark "Black & White" belonging to respondent James Buchanan & Company Limited, bottler of the famed Black & White Scotch Whisky, that the infringement was *willful* and *deliberate*, engaged in for the purpose of capitalizing on respondents' good will and good name, that despite requests before suit for discontinuance petitioners *knowingly, willfully* and *deliberately* infringed, and that their conduct was in bad faith. The court remanded the case with directions to enter an injunction against the infringement and to pass upon the issue whether there should be an accounting of profits. This Court denied certiorari. *Maier Brewing Company v. The Fleischmann Distilling Corp.*, 374 U.S. 830 (1963).

After the remand, the district court made its own findings of *willful, deliberate* and fradulent infringement* (Pet. App. p.

*Appendix 5 to the petition sets forth excerpts from findings before the first appeal, but the petition omits the findings made thereafter and in reference to the accounting.

xviii). Among other relief, it awarded attorneys' fees to plaintiffs, but that award was reversed on an interlocutory appeal, *Maier Brewing Company v. Fleischmann Distilling Corp.*, 359 F.2d 156, on the ground that the Lanham Act had granted a broad power to the courts to award both profits and damages but had not granted power to award attorneys' fees. This Court affirmed the court below on that issue, *Fleischmann Distilling Corp. v. Maier Brewing Company*, 386 U.S. 714 (1967), and on the same ground. Its opinion described the case as one in which "deliberate infringement of a trademark has been established" (p. 714), characterized the infringement as "deliberate and willful" (p. 716), and described the power of a court to grant a monetary award under Section 35 of the Lanham Act as being the power to award to plaintiffs a recovery "measured by the profits accrued to the defendant by virtue of his infringement, the costs of the action, and damages which may be trebled in appropriate circumstances." (p. 719).

Meanwhile, the district court had directed and conducted an accounting, determined the profits gained by petitioners from their willful infringement, and entered judgment for these sums against petitioners. Emphasizing again that petitioners had "knowingly, willfully and deliberately infringed the said trademark 'Black & White'" (Pet. App. p. xviii) and characterizing the infringement as "deliberate trademark piracy" (Pet. App. p. xiv), the court below affirmed that judgment. That decision is the one of which petitioners now seek review.

ARGUMENT

As noted above, the petition does not state what questions it asks the Court to review. Our only clue is the text of the whole petition.

Much of the petition is an attempt to reargue the questions of infringement and good faith, fraud and willfulness, all questions

of fact, settled on prior appeals. The petition frequently asserts that the obligation to account was decreed without trial and without findings after the first remand. That assertion, lifted bodily from briefs below, was so quixotic that the court of appeals did not consider it worthy of mention in its opinion.

Much of the petition is devoted to an argument that there were no profits or that the amount was incorrectly determined. But those questions, too, are simply questions of fact. The statute itself prescribes:

> "In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed." (15 U.S.C. § 1117)

The rule as laid down in *Mishawaka Mfg. Co. v. Kresge Co.*, 316 U.S. 203, 206-07 (1942) is this:

> "If it can be shown that the infringement had no relation to profits made by the defendant, that some purchasers bought goods bearing the infringing mark . . . for any reason other than a response to the diffused appeal of the plaintiff's symbol, the burden of showing this is upon the poacher."
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> * * *
>
> The burden is the infringer's to prove that his infringement had no cash value in sales made by him. If he does not do so, the profits made on sales of goods bearing the infringing mark properly belong to the owner of the mark. Hamilton-Brown Shoe Co. v. Wolf Bros., 240 U.S. 251. . . . In the absence of his proving the contrary, it promotes honesty and comports with experience to assume that the wrongdoer who makes profits from the sales of goods bearing a mark belonging to another was enabled to do so because he was drawing upon the good will generated by that mark."

That burden the petitioners failed to discharge, and both courts below so found (Pet. App. xviii).

Much of the petition argues that an accounting does not automatically follow every determination of infringement. But the

court below agreed that an accounting is not automatic (Pet. App. p. xv). It held that an accounting was proper here, under "principles of equity", in the context of the fact that the "infringement is deliberate and willful". (Pet. App. p. xvi).

Searching for any remaining legal question in the petition, it comes to this: Beer is not whisky. This is much the same argument unsuccessfully urged by petitioner in seeking a writ of certiorari in 1963 in the first decision of the court below, *cert. denied, Maier Brewing Company v. The Fleischmann Distilling Corp.*, 374 U.S. 830 (1963). Petitioners' argument is that there can be no accounting of profits unless damage has been inflicted, that there can be no damage unless sales have been diverted, and that buyers cannot have been diverted from respondents' whisky since petitioners' product was beer.

This same argument that there can be no accounting of profits where no damages were claimed was rejected by the court below on the first appeal in 1963:

> "The above quoted statement as to why there is no issue of accounting is manifestly wrong. As disclosed by Title 15 USC § 1117, a recovery, on an accounting, is not limited to damages sustained but may include a defendant's profits."*

In setting forth the various remedies available to a trademark registrant whose mark has been filched, Section 35 of the Lanham Act (15 U.S.C. § 1117) first states that he "shall be entitled . . . to recover (1) defendant's profits," and provides for recovery of "(2) any damages sustained by the plaintiff." "Damages" and "profits" are two different things. "What the infringer makes is 'profits'; what the owner of the patent loses by such infringement is 'damages' ", Cardozo, Jr., in *Duplate Corp. v. Triplex Safety Glass Co.*, 298 U.S. 448, 451 (1936).

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*On denying a rehearing, not reported but set forth as Appendix A to the Brief for Respondent in Opposition in No. 1067, Oct. Term, 1962.

It is commonplace that a plaintiff in a trademark case usually cannot prove loss of sales, diversion of business, injury to his reputation, or dilution of his trademark because in the nature of things this kind of evidence is hard to come by, "often as not impossible" to find, and for that reason equity does not require of the "despoiled" evidence of actual confusion. *Mishawaka Mfg. Co. v. Kresge Co.*, 316 U.S. 203, 206 (1942). Consequently, early cases allowing an accounting of profits contain passages suggesting that this was equity's way of assessing damages otherwise not possible to determine. In the growth of the law it has long been settled that recovery of profits is not confined to a theory of approximating an estimate of damages inflicted. Equity regards the infringer as a trustee who has wrongfully appropriated trust property, the fruits of which belong to the equitable owner, as a right created by equity additional to the right of damages, whether damages are proved or not. *Leman v. Krentler-Arnold Co.*, 284 U.S. 448, 456 (1932); *Hamilton-Brown Shoe Co. v. Wolf Bros.*, 240 U.S. 251, 259 (1916); *Monsanto Chemical Co. v. Perfect Fit Products Mfg. Co.*, 349 F.2d 389, 392 (2nd Cir. 1965), *cert. denied* 383 U.S. 942 (1966); *Baker v. Simmons Co.*, 325 F.2d 580, 582 (1st Cir. 1963); *Blue Bell Co. v. Frontier Refining Co.*, 213 F.2d 354, 362-3 (10th Cir. 1954); *Dad's Root Beer Co. v. Doc's Beverages, Inc.*, 193 F.2d 77 (2nd Cir. 1951); *Maternally Yours v. Your Maternity Shop, Inc.*, 234 F.2d 538, 545 (2nd Cir. 1956). In *Blue Bell Co. v. Frontier Refining Co.*, 213 F.2d 354, 363 (10th Cir. 1954):

> "the courts have now settled on the theory that a trade-mark infringer is liable as a trustee for profits accruing from his illegal acts, even though the owner of the mark was not doing business in the consuming market where the infringement occurred. [Citations] Recovery is predicated upon the principle of unjust enrichment, not the legal theory of provable damages."

In *Monsanto Chemical Co. v. Perfect Fit Products Manufacturing Co.*, 349 F.2d 389 (2nd Cir.), *cert. denied* 383 U.S. 942 (1966), the subject was exhaustively discussed and an accounting of profits was directed where the infringer was not a competitor of plaintiff and where damages had not been proved. In *Century Distilling Co. v. Continental Distilling Corp.*, 205 F.2d 140 (3rd Cir. 1953) *cert. denied* 346 U.S. 900 (1953), one who used on whisky another's trademark for gin was required to account.

CONCLUSION

The petition presents no question deserving review, no conflict, no novelty. We respectfully submit that it should be denied.

Dated: San Francisco, California, May 17, 1968.

MOSES LASKY

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